

# Introduction of the Unemployment Insurance Program

---

Joint Legislative Oversight Committee on  
Unemployment Insurance

February 25, 2020

Greg Roney, Legislative Analysis Division

## Federal Law



- Approved in 1935 as part of *Social Security Act*
- Two-fold purpose
  - Provide temporary assistance to those who have lost their jobs through no fault of their own
  - Help stabilize the economy in times of economic downturns

# Federal-State Partnership

Key provisions have not been fundamentally altered in 50 years:

- Federal financing of administrative costs through the Federal Unemployment Tax (FUTA)
- States receive grants from US DOL for administering the program
- Substantial State autonomy over all substantive elements of self-contained unemployment insurance laws
- States must remain in compliance with US DOL rules
  - Loss of grants of FUTA funds
  - Higher effective FUTA rates in non-compliant states

# Federal Benefit Requirements

## Claimants

- Lost their jobs through no fault of their own
- Worked during a specified time period and received a minimum amount of wages
- Must be
  - Able to work
  - Available for work
  - Actively seeking work

## Benefits

- Regular Benefits
  - Permanent program
  - 100% State funded
- Extended Benefits
  - Permanent program
  - Triggered by high levels of unemployment
  - Funded 50/50
- *Emergency Benefits*
  - *Temporary program*
  - *100% Federally funded*

## State Law



- Eligibility
- Filing a claim
- Work search
- Disqualification
- Benefit amounts
- Benefit duration
- Waiting periods
- Taxable wage base and rate
- Appeals process

# Funding

- Employers
  - Pay FUTA
  - Pay SUTA
- Employees do not contribute in NC
- Federal Unemployment Tax (FUTA)
  - Taxable wage base = \$7,000
  - FUTA tax rate = 6%
- Credit against FUTA for taxes paid under a State law that meets federal requirements
  - Possible credit = 5.4%
  - Lowest effective tax rate possible = 0.6% or \$42/employee

# NC Funding Structure

## SUTA

- Current tax rate based on experience rating:  
.06% to 5.76%
- Tax rate in 3 tiers based on trust fund balance and economic conditions
- Tax rate for new employers is 1%
- 2020 Wage base \$25,200
- Used to pay UI benefits

## 20% SUTA Surcharge

- 20% surtax on SUTA
- Used to pay interest on any loan from US
- Surtax suspended when Trust Fund balance equals or exceeds \$1 billion
- Last applied for 2015 tax payments

# NC UI Benefits

- Waiting week per UI claim
- WBA is 50% AWW up to maximum WBA
- AWW is based on last 2 quarters of the base period
- Maximum WBA is \$350
- Maximum duration of regular benefits is 20 weeks based on unemployment rate
- Currently, benefits for 12 weeks
- Suitable work as any work paying 120% of WBA after 10 weeks
- Claimants make weekly certifications
- Claimants must attend Employability Assessment Interview (EAI)
- Claimants must make 3 job contacts per week